



IHS Markit™

# Asia PMI

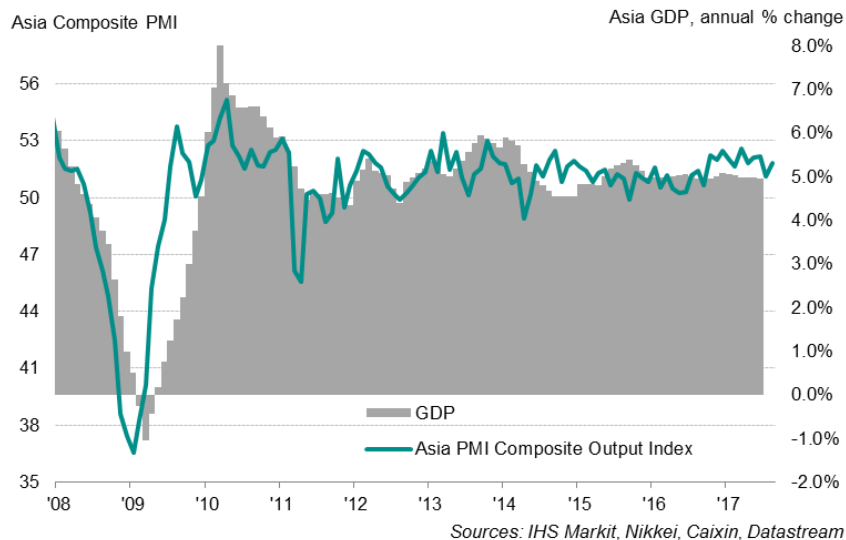
Asia growth gathers pace midway through Q3

September 2017

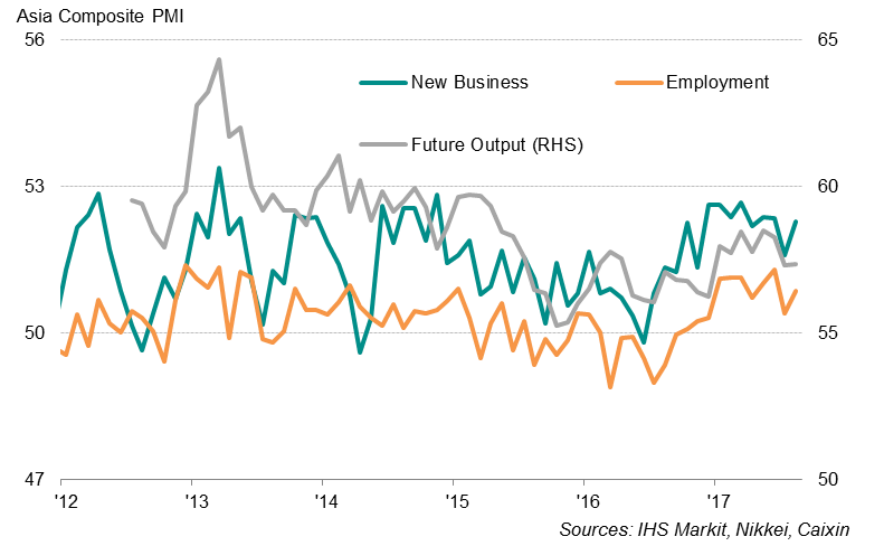
# Asia growth regains momentum after subdued start to Q3...

- Asian economic growth gathered pace in August after a subdued start to the third quarter, according to PMI data. The Asia Composite PMI Output Index, compiled by IHS Markit, rose to 51.8 from 51.1 in July. The latest reading is historically comparable to an annual GDP growth rate of 5.3%.
- While the pick-up in output growth was encouraging, the rate of increase remained below recent peaks, as was the case for expansion of new orders and employment. Growth of new business accelerated from July but remained below the average seen in the first half of the year. Likewise, employment recorded another mild increase as firms' expectations of future output failed to improve noticeably, with optimism stuck at one of the lowest levels seen so far this year.

## Asia PMI & economic growth



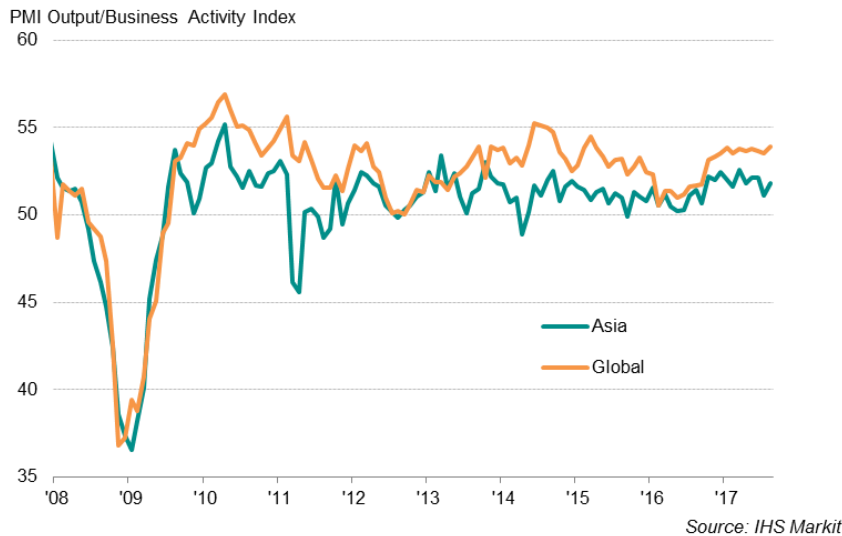
## New work, employment and expectations



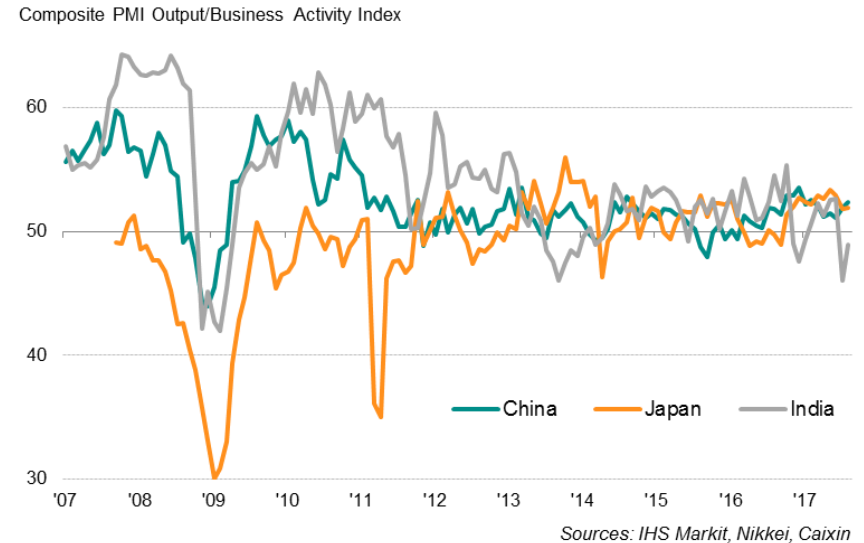
## ... but still lags global growth

- Business activity in Asia continued to underperform compared to the global rate of expansion seen in August. Solid growth in the developed world (and in the US and eurozone in particular) were key drivers behind the improvement in global business conditions.
- Uneven growth in Asian markets was key to the underperformance relative to the global picture. While China and Japan have recorded steady growth rates since late last year, India's private sector economy was besieged by two events that impacted business activity: the sudden withdrawal of high-denomination notes and the rollout of the consumption tax.

### Asia growth v global

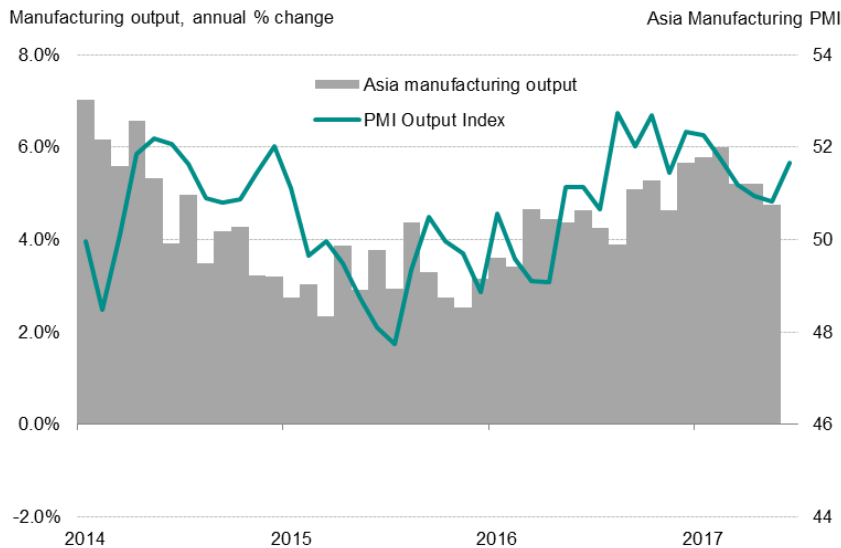


### Major Asian economies

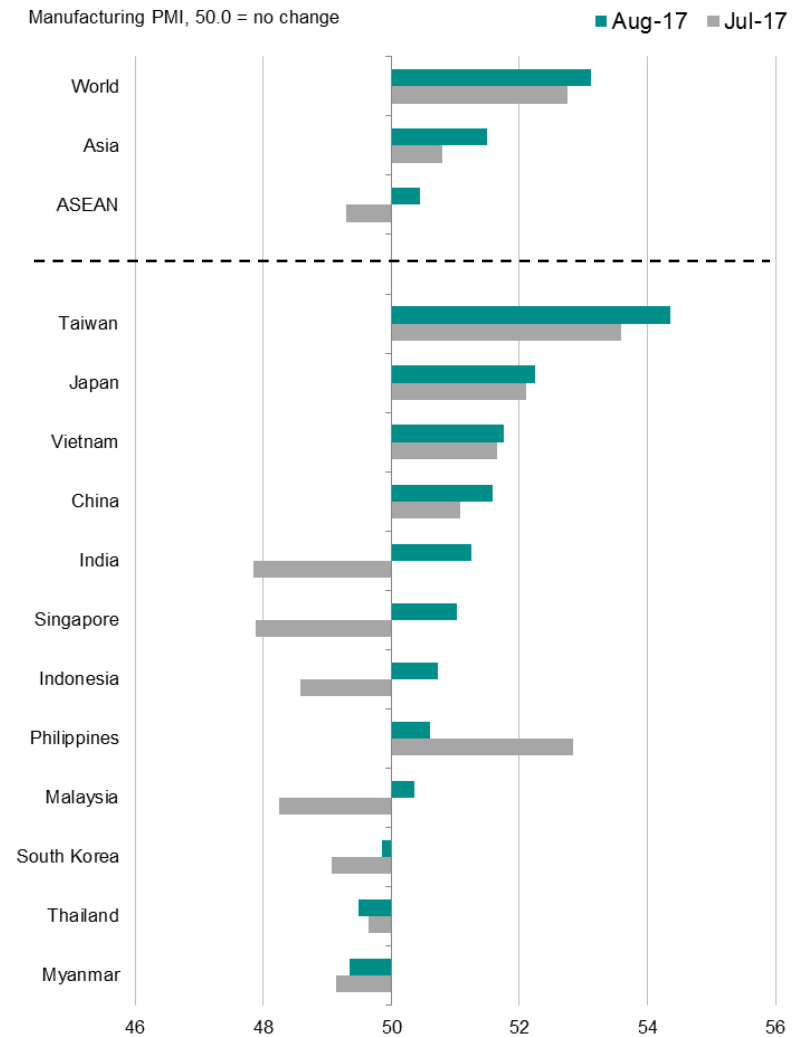


# Asia manufacturing picks up

- After a soft start to the third quarter, Asian manufacturing showed signs of perking up in August. Nine of 12 countries covered by the PMI surveys saw improved manufacturing conditions, up from five in July. Measured overall, output grew at its fastest rate since April.
- Taiwan remained the region’s growth leader, while the Philippines slipped from second to eighth position. Japan, Vietnam and China all saw faster improvements in operating conditions. The health of the manufacturing economies in India, Singapore, Indonesia and Malaysia all returned to growth in August.



Sources: IHS Markit, Nikkei, Caixin, Datastream

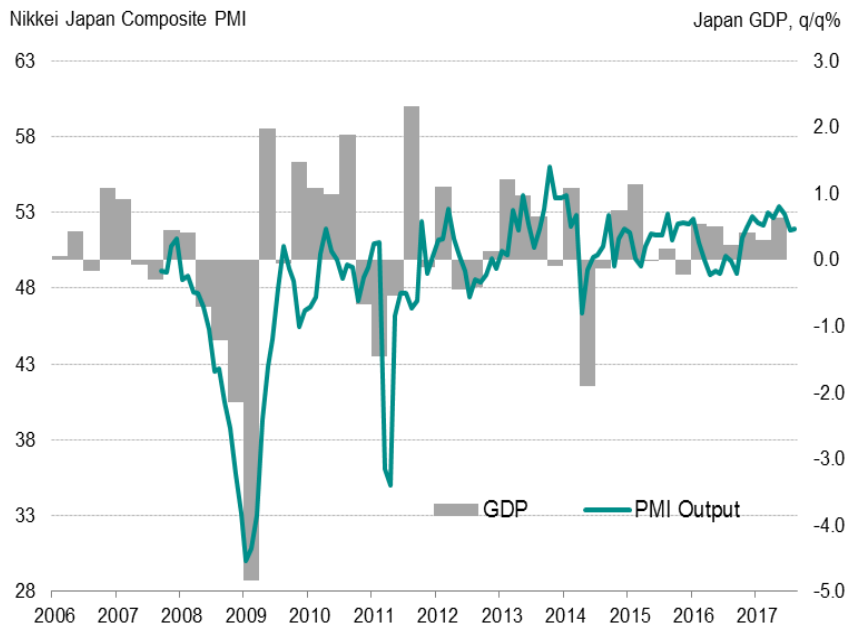


Sources: IHS Markit, Nikkei, Caixin, JPMorgan.

# Japan PMI points to further upturn in Q3 and rising prices

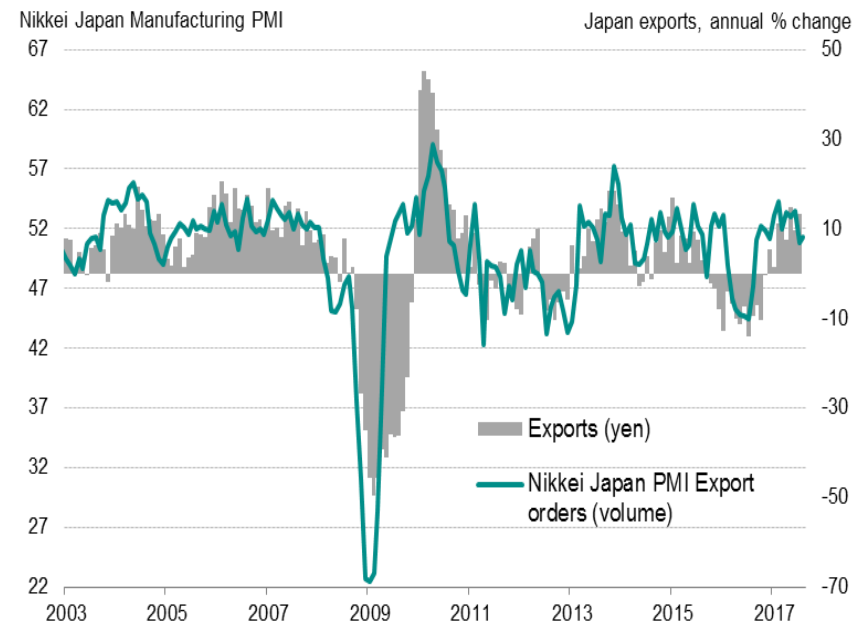
- The Japanese economy expanded further midway through Q3, but the pace of growth remained below the average seen in the first six months of the year. The [Nikkei Japan PMI](#) came in at 51.9 in August, up slightly from 51.8 in July. The rate of growth in new sales eased for a third straight month, reaching the joint-weakest since November of last year. Adding to the sense that growth may have peaked, the Future Output Index — a gauge of business confidence — sank to the lowest so far this year. Although exports increased at a faster rate, the latest rise was well down on those seen earlier in the year.
- The survey nonetheless points to another solid expansion of the economy in Q3, following the 0.6% gain seen in Q2. Policymakers will be additionally encouraged to see the survey’s gauge of selling price inflation for goods and services hitting the joint-highest in two years.

## Japan economic growth\*



Sources: IHS Markit, Nikkei, Japan Cabinet Office

## Japan manufacturing exports



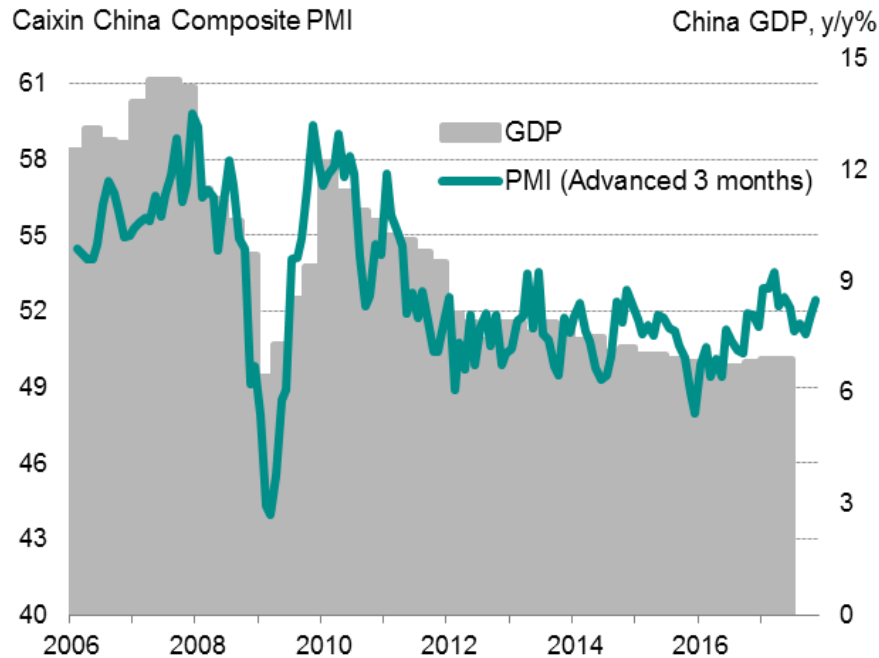
Sources: IHS Markit, Nikkei, Thomson Reuters Datastream.

\* PMI shown above is a GDP weighted average of the survey output indices.

# China PMI upturn underscores better than expected 2017 growth

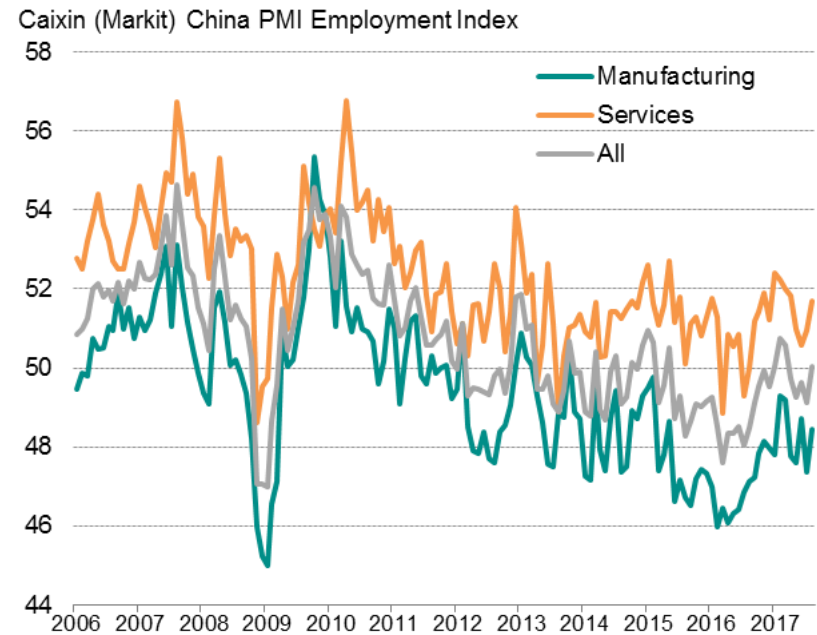
- China’s economy grew at an increased rate in August, setting the stage for a stronger GDP expansion in Q3 after the 6.9% pace seen in Q2. The [Caixin China Composite PMI](#) rose to 52.4 (a six-month high) in August — picking up speed for a second consecutive month. Volumes of new business rose at the joint-strongest pace seen so far this year. The recent improvement in China’s performance has prompted a number of analysts, including IHS Markit, to upgrade their GDP forecasts for 2017. IHS Markit raised China’s GDP projection from an annual rate of 6.6% to 6.8% for this year.
- Increased output failed to encourage firms to hire more, but a stagnation of overall employment at least represented an improvement on the declines seen in the prior four months. Services staff numbers rose at the fastest rate since April.

## China PMI\* & economic growth



Sources: IHS Markit, Caixin, NBS.

## China employment



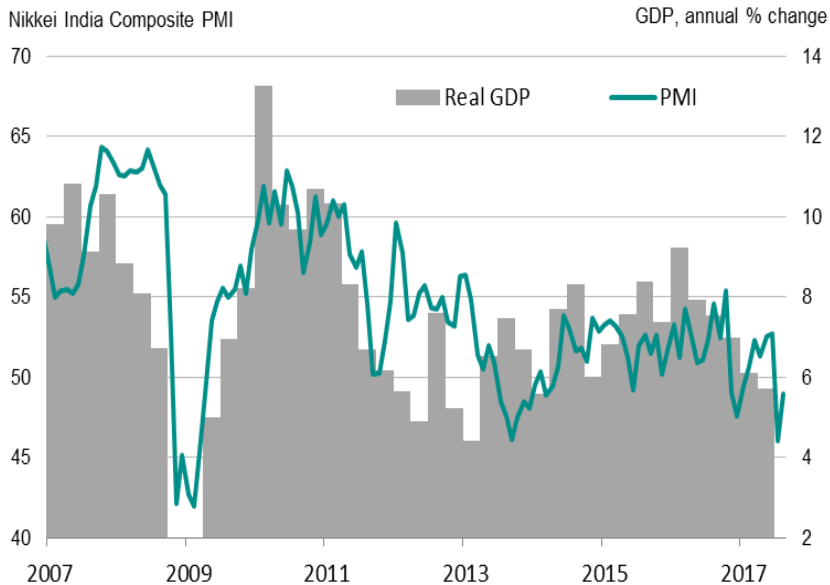
Sources: IHS Markit, Caixin.

\* PMI shown above is a GDP weighted average of the survey output indices.

# India manufacturing recovers but services still struggles

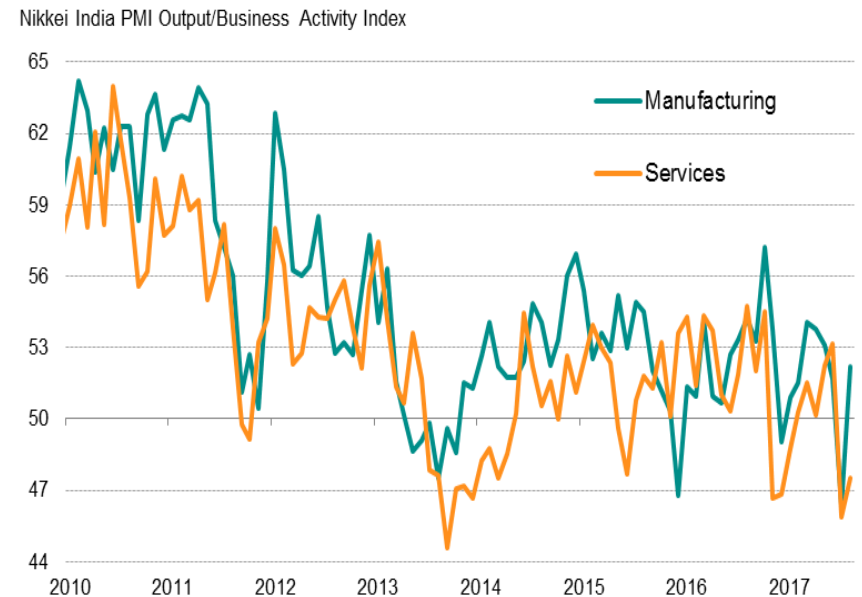
- Despite growth in manufacturing production, [services](#) remained a drag on India’s private sector economy for a second straight month during August, according to PMI survey data. Anecdotal evidence suggesting that the new sales tax implementation was again to blame. [Manufacturing output](#) returned to expansion territory, on the other hand, buoyed by a recovery in new orders.
- However, the downturn in services was less severe than in July, with other PMI indices hinting that the impact of the sales tax on service sector activity may ease further in coming months. Service sector backlogs of work rose at the fastest rate for six months, while business confidence remained among the strongest so far this year.

## India PMI & economic growth



Sources: IHS Markit, Nikkei, CSO

## India manufacturing & services

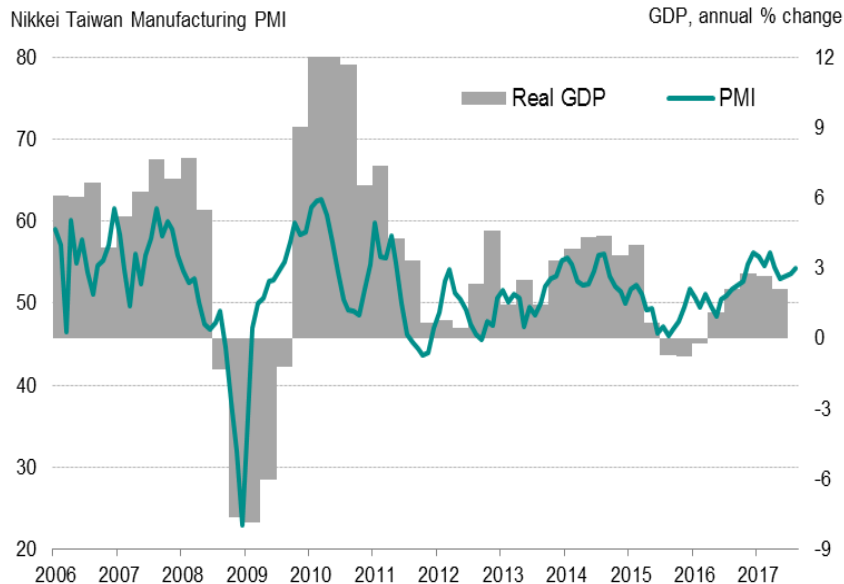


Sources: IHS Markit, Nikkei

# Taiwan manufacturing output held back by stock shortages

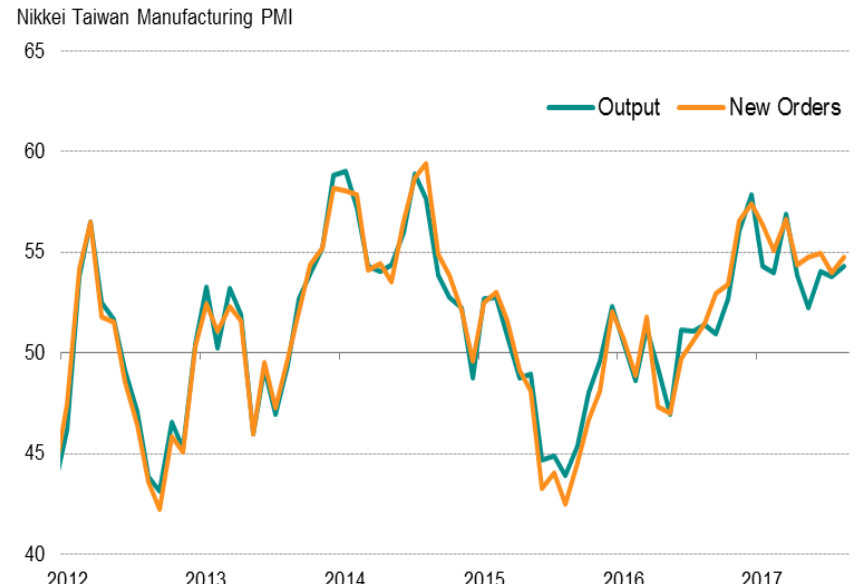
- Growth of Taiwan’s manufacturing economy accelerated in August, though firms’ comments suggested that the pace of expansion was held back by persistent stock shortages. The [Nikkei Taiwan Manufacturing PMI](#) survey registered the most marked improvement in business conditions for four months, as production gathered pace amid stronger demand.
- However, the rate of increase in new orders — supported by rising exports — continued to outpace output growth, as a lack of resources affected production. This led to the greatest increase in backlogs so far this year. Vendor delivery times also showed another sharp increase, underscoring supply shortages. Overall, the sector continues to show a rebound since late-2016, corroborating IHS Markit’s projection of GDP increasing 2.2% this year, up from 1.5% in 2016.

## Taiwan PMI & economic growth



Sources: IHS Markit, Nikkei, DGBAS

## New orders outpace production growth



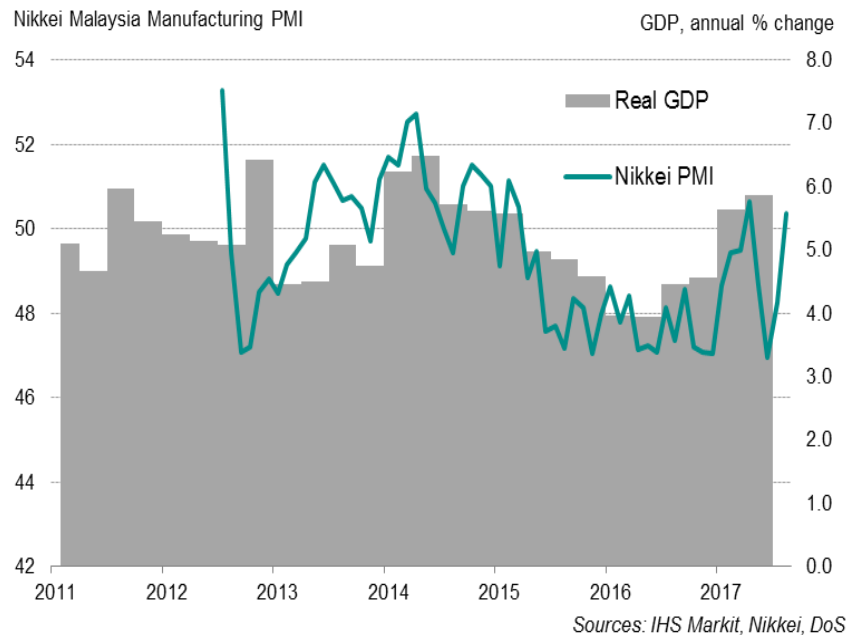
Sources: IHS Markit, Nikkei



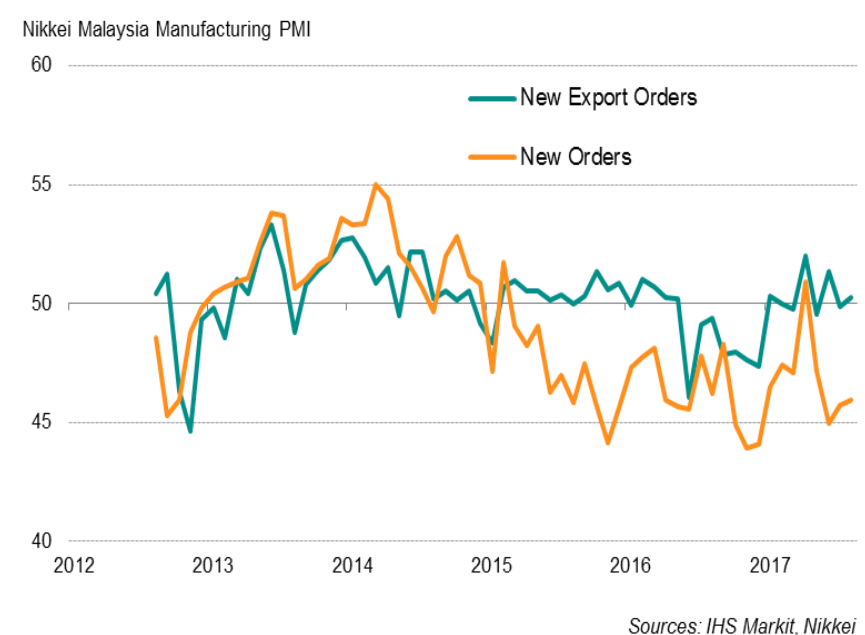
# Malaysia PMI signals improvement but order books remain weak

- [August's PMI survey](#) painted a stronger picture of Malaysia's manufacturing economy relative to previous months. Overall operating conditions improved for the first time since April, underpinned by rising exports, which helped to bolster output. Accordingly, business confidence improved to the highest in over three-and-a-half years and the pace of job creation reached the fastest seen since October 2015.
- However, still-weak demand led firms to maintain an air of caution around inventory policy, with purchasing levels falling for a fourth straight month, suggesting growth could remain precarious in coming months unless firms see improved order book inflows.

## Malaysia PMI & economic growth



## Total & foreign demand



# Disclaimer

The information contained in this presentation is confidential. Any unauthorised use, disclosure, reproduction or dissemination, in full or in part, in any media or by any means, without the prior written permission of Markit Group Limited or any of its affiliates ("Markit") is strictly prohibited.

Opinions, statements, estimates and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of Markit. Neither Markit nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate or projection (collectively, "information") changes or subsequently becomes inaccurate.

Markit makes no warranty, expressed or implied, as to the accuracy, completeness or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided.

The inclusion of a link to an external website by Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). Markit is not responsible for either the content or output of external websites.

Copyright ©2017, Markit Group Limited. All rights reserved and all intellectual property rights are retained by Markit.